Special Home Center Show Coverage

Lux: Adapt strategies to tap European market

CHICAGO—The projected rapid growth of the European DIY market throughout the 1980's may prompt American manufacturers of home improvement products to look increasingly eastward in targeting their marketing strategies.

However, those markets bear many differences from the United States in terms of customer preference, advertising, pricing structures and distribution channels that will require American producers to adapt both their products and promotions accordingly.

This message was delivered to an audience of domestic and international home center industry executives by Harald Lux, managing director for LUX International, a West German marketing organization. He spoke at this year's Home Center Show International Conference.

Drawing from an extensive survey his company conducted, comparing the French, German and United States markets, Lux estimated that while "the $24.2 billion American home center industry" would expand by 1990 to $40.4 billion (an average annual rate of 4.8%), West Germany's growth over the same period would hit 7% annually to $8.67 billion, France's DIY industry, he said, would increase to $7.1 billion by 1990, an average annual growth rate of 6.5% and a 10-year aggregate rate of 86%.

Emphasizing that "in marketing terms, there is no Europe," Lux described the economic and retail differences of the three nations.

Half of all the DIY volume generated in Europe comes from France and Germany, which have a combined market size about one-third the United States's, with one-half the population. However, while 64% of the American population is engaged in some form of DIY activity, these figures are only 49% for Germany and 23% for France. Lux estimated that the German market is about five years behind the United States in maturity and three years ahead of France.

He noted that the predominant product groups in all three countries were lumber and building materials, representing 43% of total American sales, 33% in Germany and 24% in France. But, "a heavy emphasis is on construction-type projects in Germany and the United States, while France tends to concentrate more on decoration."

Lux observed that the French and German consumer is highly quality-conscious and, surprisingly, the German DIY customer will buy products in a specialized store at a preference rate three times as high as in the United States; for France, the preference rate toward specialty outlets is twice as high as in America. "A particular feature in France," he explained, "is the important role played by department stores. For instance, the Bazar de l'Hôtel de Ville, a well-known Paris department store, is one of the largest home centers there."

In Germany, home centers

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Comparison of DIY operations

Average nome center	U.S.	France	Germany
Size (sq. ft.)	13,200	11,600	9,200
Sales per store (in millions)	$2.02	$1.4	$0.75
Sales per square foot	$153	$117	$82
Sales per employee	$95,000	$105,000	$132,000
Gross profit	29.6%	31.7%	34.0%
Net profit	3.1%	4.5%	3.0%
DIY customer (in millions)	139	12	30
% of population	64	23	49
"Active" DIY customer (in millions)	28.4	2.7	10.8
% of population	13.0	5.5	17.5
Average annual DIY expenditure by customer	$507	$168	$335
Building material and home center units % of market share	44	55	61

Grace is a prime example in seminar on acquisitions

CHICAGO—W. R. Grace is looking for home center chains to buy in the Sunbelt, acknowledged Frank Denny, Grace home center division president, at a seminar on mergers and acquisitions at the Home Center Show last month.

Wickes, however, a conglomerate that, like Grace, generates about $1 billion in annual building material sales, is not seeking new ventures, according to Paul Hylbert, a vice president.

Hylbert explained that the company was struggling with the unexpectedly high debt service incurred from Wickes' 1980 purchase of 750 Gambles hard line hardware stores.

Indicative of the company's problem, Hylbert was subsituting at the seminar for the planned speaker, former Wickes president David Primuth, who resigned a day earlier, March 15.

"The acquisition business is also in a recession," said Denny. "The cost of acquisition capital is 16% to 20% this year."

When Gambles was purchased by Wickes, interest rates were about 10%, Hylbert said.

Wickes senior vice president Paul Hylbert filled in for departing Wickes president David Primuth at the Home Center Show seminar on acquisitions and mergers.

"We factored in a 30%-40% increase in rates, but rates doubled," he said.

Wickes' debt service for Gambles is now $180 million annually, according to Hylbert.

The cost of money, however, is not the only factor slowing acquisition activity.

"The economy has forced potential acquisitions to leverage

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Panel reviews sales techniques

CHICAGO—Morton Bernstein recently walked into a home center to look at kitchen cabinets and was told by a salesman to wait 30 days "because then they'll be on sale."

That example was among counterproductive sales techniques discussed by Bernstein, president, Lawrence Building Materials, Harrisburg, Pa., in a seminar titled "Motivating, Communication, Selling."

The seminar, chaired by Harvey Rosen, president, Handyman of California, San Diego, included panelists Bernstein, formerly executive vp and gm of Grossman's; Candace Kilburn, director of human resources, Handyman, and William Sharp, consultant and partner with PERCON, Kansas City, a sales consulting firm.

Bernstein asserted that the connotation of "self-service" stores is bad and that stores that want to emphasize courteous treatment of customers might consider referring to themselves as "self-selection" to emphasize that the salesman still has a role to perform.

Abandoning "service with a smile" has pitfalls, warned Sharp, co-author of a sales/management training course, "Around Hardware and Home Center Stores, Everybody Sells."

"The first 10 seconds the customer is in the store are more important than the subsequent 10 minutes," Sharp asserted. "Is it possible to create an entirely negative or positive image in 10 seconds? You bet it is."

Sharp said he once hung a sign around his neck with the letters M, M, F and I on it before visiting a home center. When salesmen asked him its meaning, he responded, "Make Me Feel Important."

The initial greeting doesn't require grabbing the customer's hand or slapping him on the back, Sharp says, but rather to simply acknowledge the customer's presence: "He does like to feel someone knows he has entered the store."

Sharp added, "A good repeat customer should be asked how the last project went."

In closing the sale, Sharp said that 50% of salesmen don't ask the customer to buy anything—"for some reason they expect the customer to take the initiative, yet 80% of the customers won't buy unless they're asked."

Five years ago, many retailers considered sales training programs of marginal necessity, but now many are being "more assertive about training," Sharp commented. Management should consider frequent sales meetings—at least once a week—to remind the sales force of the perennial truth of such sales maxims as "the customer is king," Sharp said.

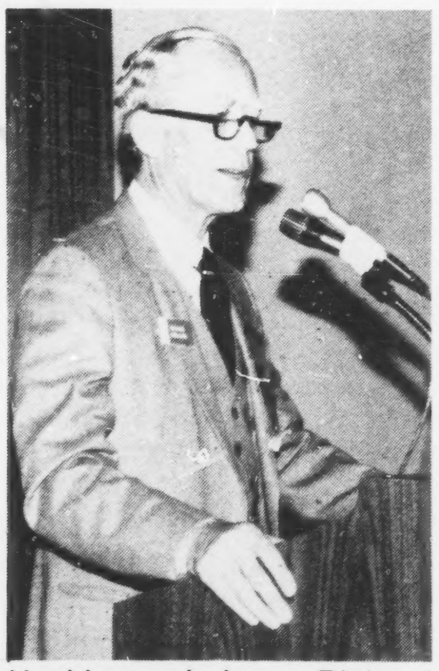
According to statistics cited by Sharp, 3% of undergraduates polled said they intend to go into sales, yet 48% of college graduates eventually end up in sales and marketing jobs.

Hechinger's England:

'Shakeout' ahead for retailing

CHICAGO—This year and next will bring "a great shakeout in retailing," Hechinger chairman Richard England told European and Japanese retailers and manufacturers at the International Home Center Marketing Conference last month.

"The retail amateurs will drop out," he said, citing the recent financial reports from retail giants Sears, K mart and Montgomery Ward as an indication of the difficult times that are challenging all retailers.



Hechinger chairman Richard England told foreign retailers at last month's Home Center Show of an impending "shakeout in retailing." NHCN photo

About the DIY industry, England noted, "they'll be a lot of casualties. Builder yards that don't get into the home center business seriously are in trouble." He also indicated that discount mass merchants which try to sell home center-type products will find it difficult to continue competing in the category.

For the pure home center, however, he said, "We have a good market. Professional mechanics certainly aren't getting less expensive to hire."

Jim Gee Jr., president of Chicago-based Gee Lumber, provided a different outlook in describing his 12-unit, $29 million chain's no-frills retailing concept, which he says will become more popular as the 1990's approach.

In the seminar entitled "What's Happening in United States Home Center Retailing," Gee explained that he views young homeowners today as seeking a "simpler life" than their parents.

"This generation is more comfortable in informal shopping surroundings," he added.

Gee tries to cater to his customers' preferences with narrow aisles and hand-made signs, a sort of "utilitarian look," he noted.

The retailer uses very little departmental signing.

"We don't want the customer to know where the product is," he explained bluntly. "We feel our stores are comfortable and there's no reason to hurry the customer out. We want to expose him to many sku's.

"Of course, we can direct him to the display or products he wants if he asks.

"By 1990," he said, "bright signs will be relatively unimportant. The home center will be well-stocked but not greatly displayed. The shoppers are smart. They can figure out they're paying for the good looks."

England and the Hechinger chain, on the other hand, espouse "wide aisles and bright, shiny floors." Good housekeeping equates with good inventory control, he said.

"Otherwise," England added, "it leads to sloppy handling by employees and thefts."

Name tags are "musts" for Hechinger sales personnel, England added, because "most people act kinder when they know they are identified by a badge."

Product success depends on a 'total commitment'

CHICAGO—"We follow one universal code: Success is contingent on making a total commitment to a product or a department. Anything less would be disastrous."

So said Harold and Mel Cohen, general manager and president, respectively, of $26 million Somerville Lumber, in their seminar at the recent Home Center Show, discussing their successes and failures in merchandising new products, new product categories and big-ticket packages.

Also speaking on the subject were Robert McFarland, executive vice president of the 39-unit Erb Lumber (who detailed his chain's buying strategy), and Bernard Niehaus, president of Niehaus Lumber in Indiana (who spoke about developing consumer departments in essentially contractor-oriented stores).

The Cohens' record of success in constructing their operation is quite remarkable: Somerville Lumber does $650 per square foot in sales, with a GMROI of 280% and gross margin of 38%.

Recently, the store successfully remerchandised its bath and window/door departments by making better use of display areas, adding high-end products and working closely with suppliers and manufacturers. "It is also mandatory that, when you introduce a new product or department in your stores, you train and re-train your employees," said Harold Cohen. Somerville retains a director of training for its workers.

It now has eight complete bath setups, 125 vanities and a working Jacuzzi display in its bath area which now contributes 8% of the store's total revenue (plumbing as a whole represents 18%). The department is 3,500 sq. ft. and the average bath sale is now about $400. Somerville has also upped the top bath price point from $179 before the renovation to $439

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New Western show

(Continued from page 2)

the customer won't pay the price."

The president of a major California-based chain, however, noted that a local show could be good for area dealers.

The regional idea is drawing support from some manufacturers, such as Georgia-Pacific, which has already tentatively arranged for booth space.

"We'll be taking a closer look and getting input from our distributors in that marketing area," said Sam Gaddis, national sales manager.

"We're going to attend," said Robert Dell, vice president of sales for Melard Manufacturing, Passaic, N.J. "At a regional show we may find a lot of smaller home centers that wouldn't go to the national show."

Among the big-gun manufacturers having second thoughts about the second show is Stanley Tools. It reportedly costs that company $100,000 to attend a major trade show, including $27,000 just for booth construction.

"We're going to 'show' the industry to death," said Stanley president William Butz. "It's the wrong time for another show, with rising industry costs. What are you going to see different?"

"I would not be in favor of the show and we're located in California," said Frank Xavier, of Perma-Bilt Industries.

"I'm totally against the Anaheim Show. We've spent $10,000 in Chicago and it's becoming very expensive to attend any of the shows," said Robert M. Williams, president, Genova, the Michigan-based plumbing manufacturer.

Actually, costs at the western show may be less than for the recent national show at McCormick Place, Chicago.

According to Marvin Park and Assocs., which sold space at the national show and is handling the western effort, booths in Anaheim will be priced at $8 per square foot, or $800 for a 10x10 area and $1,600 for a 10x20. Equivalent space at McCormick Place cost $1,100 and $2,200 respectively.

The show is planned for Oct. 21-23, 1983, at the Anaheim Convention Center, with seminars at the nearby Anaheim Marriott.

About 100,000 sq. ft. of exhibition space has been reserved for the show, according to Robert Sherwood, convention sales director for the Anaheim Convention Center.

Product success depends

(Continued from page 3)

now.

With doors/windows, the Cohens employed the assistance of its supplier, Andersen Windows, to redesign the area which is now 4,500 sq. ft. In 1981, after the remerchandising, the department's sales increased 25% to $1.3 million.

However, not every venture Somerville tried has proven successful. "Our entry into the automotives business was a failure," explained Harold Cohen, "probably because we were too cocky and too much in love with our past triumphs. Plus, we didn't give the department the devotion it deserved."

Erb's McFarland also saw his chain's automotive department falter and eventually discontinued it because "it was taking up too much floor space and not producing sufficiently." (Erb looks for a return on investment in a new department of 35%-40%, with gross margins of 26%-31%.)

In merchandising products, however, Erb Lumber has had more hits than misses, and McFarland described the three things the chain uses in its merchandising:

In buying products, Erb categorizes its product line order of priority, and when it decides to introduce a new product, it has to also decide where that product fits in the priority listing, in terms of image, whether it is right for the market and whether the individual store can handle the product physically.

Selling the product requires Erb to train its store personnel so that they are acquainted with it and how it should be marketed. (McFarland noted that compensation programs for employees are a good incentive for this kind of selling.) "It's also essential that you set margin goals and price strategies especially when you're trying to buy your way into the market," he said.

The third element to Erb's merchandising plan is accountability. "Each department should be a profit center," McFarland explained, "and you don't need sophisticated accounting and computers to develop new departments." He suggested that retailers establish allocation levels before such a department opens.

"The most significant thing to remember when you're taking on a new product line or starting a department is to have a well-worked out plan," he said. "And if it doesn't work, move on."

Niehaus runs a 30,000-sq.-ft. store which is 67% contractor sales, and he admitted that in the past he rarely gave much thought to developing a bath/plumbing department.

"But nothing damages a customer's confidence more than a store not having a key product for him to complete a DIY project," Niehaus said.

So, in cooperation with his suppliers, Niehaus developed a plumbing department within the confines of his unit "that had some order to it, finally," he said. Sales in that department have gone from $247,000 in 1980 to an estimated $500,000 for this year.

Niehaus has also employed a good mix of media promotion, using live remote radio broadcasts from the store as well as direct mail, which he said was "the most effective and least used form of advertising."

Europe

(Continued from page 3)

still use product group merchandising, whereas the French retailers tend to lean toward merchandising techniques emphasizing brand-name recognition. However, price levels in both countries are higher than in the United States, due to the relatively high product quality, smaller size of the market, and industry fragmentation.

In terms of advertising, the United States and European markets are like night and day, said Lux. "While TV and radio advertising is commonly used in the United States, it is negligible in Germany and France.

"This is due to the lack of regional TV and the timing of TV advertising. In Germany, for instance, TV ads run only between 7:30 and 8:30 p.m., not exactly prime time. The money spent on television ads is, therefore, usually spent for sports sponsorship such as signs during soccer games."

In France, he continued, mail-order catalogs are used primarily because French newspapers do not accept inserts, and while newspaper ads represent the largest share of total advertising spending in Germany, the French prefer to use outdoor signing because, with the national newspapers dominating the market, regional ads commonly used by home centers are not effective.

Lux concluded his speech by making five suggestions to American companies contemplating importing their products to either of the two overseas countries:

- Packaging has to be adapted, in design and language, to suit the particular local market;
- American manufacturers should rely heavily on European marketing organs to prepare literature, manuals and DIY instructions;
- Delivery services need be adapted to conform with the market these manufacturers want to serve;
- "With market requirements being significantly influenced by government-operated safety organizations," Lux said manufacturers should be willing to adapt their products to local markets in collaboration with their importer.
- Communication and coordination of the entire importing operation has to be maintained.

"Successful implementation of a marketing program requires a close partnership," Lux said.

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Exclusive NHCN survey

Chains respond to growth by broadening mix

NATIONAL REPORT—Home centers' plumbing/bath departments are claiming a greater percentage of total volume than they did three years ago and DIY retailers are apparently responding to that growth with plans to increase their selection in the category, an *NHCN* survey indicated.

Among the 50 chains and independents polled, representing nearly 1,000 stores, dealers said plumbing/bath now accounted for 13.2% of their sales as compared to only 11.7% of sales three years ago.

The findings indicate that plumbing/bath is a growth area, and many respondents said they might increase their sku counts in the category in the next 18 months by as little as 1% to as high as 50%.

The department yields a relatively good average margin of 40.14%, according to the study, while averaging 15% of a home center's retail area.

The category shows average movement, the survey indicated. Thirty-six per cent of the respondents said the department produced four-five annual turns and another 24% reported it produced three-four turns. Twenty-nine per cent, however, said they got five turns or better with plumbing/bath products.

Most home centers still offer a mixture of plumbing products on cards and in bulk, according to the findings. Almost 70% of the dealers reported that between 25% and 75% of their plumbing merchandise is on cards.

Retailers reported a strong trend toward buying plumbing/bath products on a direct basis. Forty-three per cent of those questioned said they bought three-quarters or more of their plumbing/bath supplies directly.

According to the survey, however, almost 46% said they bought 50% or more of their goods through a two-step system.

Better than 40% of those surveyed said they situated the plumbing/bath department near or in the middle of their stores. There was no apparent trend among the other dealers who said they put the department in various perimeter locations of their units.

NHCN questioned dealers about 19 products in the category, specifically on the number of sku's they carried of each item and the turns each produced.

Plastic pipe showed the best movement with 5.72 average turns, followed closely by plastic fittings at 5.62, faucets at 5.59, and toilet seats at 5.48.

In fact, plastic fittings and pipe outdistanced their copper and brass counterparts easily. Copper fittings produced average turns of 4.57 with brass fittings reporting in at 4.51 turns.

Copper pipe had average turns of 4.87, but brass pipe, apparently making its way out of home centers, was reported in stock in less than a quarter of the companies surveyed and had a 4.10 average turn.

Solar and tankless water heaters are still not common plumbing/bath items. Only about 10% of those asked said they carried that merchandise.

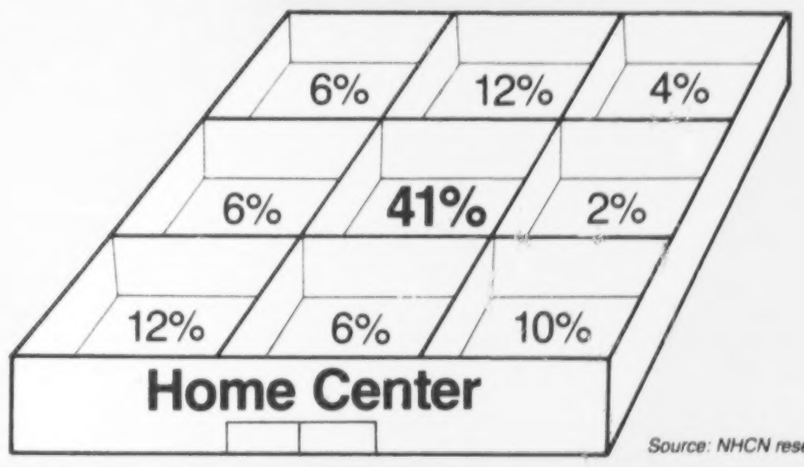
From the survey, the average plumbing/bath department would include: 10-50 faucets; 1-10 shower heads; 1-25 vanities; 1-25 mirrors; 1-10 water purifiers; 1-10 shower/tub kits; 1-10 shower doors; 1-10 toilets; 1-50 toilet seats; 1-25 sinks; more than 50 plastic fittings; 10-100 copper fittings; 1-50 brass fittings; 1-25 sku's of plastic pipe; 1-10 sku's of copper pipe; no brass pipe; 1-10 water heaters, and no solar or tankless water heaters.

Typical department statistics

Average department size: (as percentage of store size)	**15.0%**
Average Margin:	**40.1%**
Current department volume: (as percentage of total volume)	**13.2%**
Department volume, three years ago: (as percentage of total volume)	**11.7%**

Source: NHCN research

Location of plumbing/bath departments:



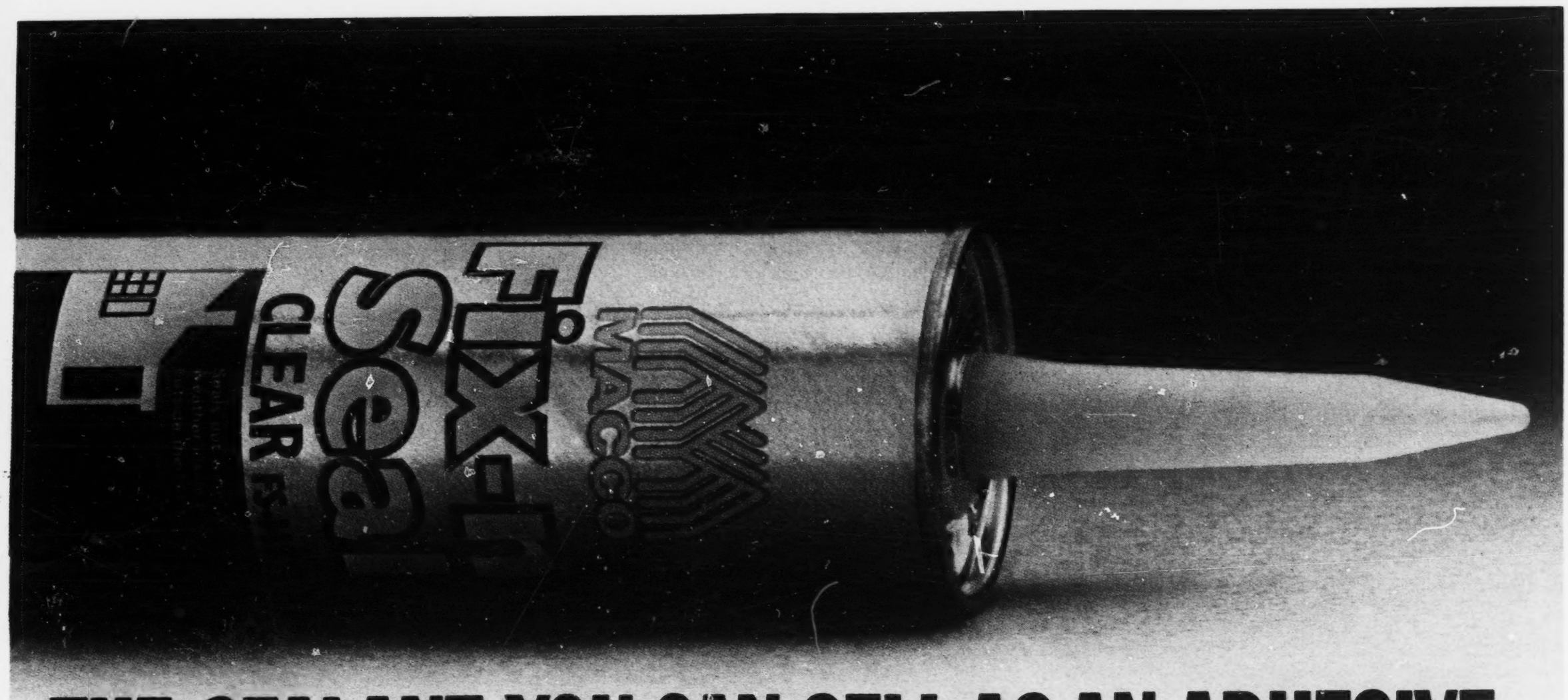
Source: NHCN research

Comparison of typical plumbing/bath selections

Item	Average turns	Number of stock-keeping units (sku's)	Item	Average turns	Number of stock-keeping units (sku's)
Plastic pipe	5.72	2% 53% 33% 12% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Shower heads**	4.61	2% 66% 28% 2% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+
Plastic fittings	5.62	5% 10% 7% 12% 29% 20% 17% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Copper fittings**	4.57	10% 15% 17% 29% 15% 2% 12% — 0 1-10 10-25 25-50 50-100 100-200 200+
Faucets	5.59	9% 42% 37% 5% 2% 5% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Vanities**	4.54	15% 24% 39% 15% 7% — 0 1-10 10-25 25-50 50-100 100-200 200+
Toilet seats	5.48	5% 26% 41% 26% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Brass fittings**	4.51	21% 15% 28% 13% 8% 10% 5% — 0 1-10 10-25 25-50 50-100 100-200 200+
Toilets	5.08	12% 76% 12% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Sinks**	4.44	62% 38% — 0 1-10 10-25 25-50 50-100 100-200 200+
Shower/tub kits	5.06	21% 70% 2% 7% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Water heaters**	4.33	8% 82% 10% — 0 1-10 10-25 25-50 50-100 100-200 200+
Copper pipe	4.87	14% 67% 14% 5% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Mirrors**	3.85	30% 33% 28% 7% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+
Shower doors	4.77	15% 81% 2% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Water purifiers**	3.75	45% 55% — 0 1-10 10-25 25-50 50-100 100-200 200+

NHCN's plumbing/bath survey revealed that plastic pipe had the greatest number of turns, averaging 5.72 among the respondents, for the 16 products in the study. The bar charts show the percentage of respondents who reported carrying the number of sku's in the indicated ranges for each product.

Source: NHCN research



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LUMBER REPORT

Experts say commodity prices have hit bottom

By Hawk Furman
Special to NHCN

The mood of the attendees at last month's Western Wood Products Assn. meeting in San Francisco was one of "Thank God a few of us in the lumber industry have survived."

Manufacturers and wholesalers were looking for ways to increase sales, widen margins, cut costs and preserve capital. The seminars on exporting, treated wood, machine stress-rated lumber and marketing were all aimed at providing new avenues for manufacturers to pursue their quests to keep their mills operating.

The prediction for lumber prices during the next few months is that prices will continue to fluctuate in a very narrow range. With the exception of Ponderosa pine, most experts feel the price of commodity lumber has hit the bottom for the year. Very few see any change in demand either in North America or the world market.

Ponderosa pine will most likely become an exceptional value in the coming weeks because of overproduction. The mills have log decks of pine that must be cut before the warm weather hits and the logs start to degrade.

Several major pine manufacturers who have been idle in the past few months are starting to cut their pine logs. Manufacturers who have been cutting white fir, fir and larch or Engleman spruce will return to manufacturing pine to clear their log decks.

Demand for Ponderosa pine should soften in the short-term as inventory builds; long-term, the situation could be radically different. If decks are not replenished in the spring, a shortage in Ponderosa pine could show up by July or August, and prices would bounce up dramatically. The next two months provide dealers with an optimum time to stock up on pine.

The Western spruce mills in Canada have curtailed production for several months, and most manufacturers and wholesalers at the meeting see even further cutbacks. Despite the low cost of stumpage, the s-p-f mills are bleeding because of high labor, production and transportation costs.

One of the bright spots for the spruce mills had been the demand for chips by the pulp and paper industry. This is changing as a result of a slackening in world demand for paper. Many Western Canadian pulp mills have curtailed production; several other mills are scheduled to close for extended periods. Without a market for chips, many mills will have to cut production further or close down. This adds support to the belief that s-p-f prices have bottomed out.

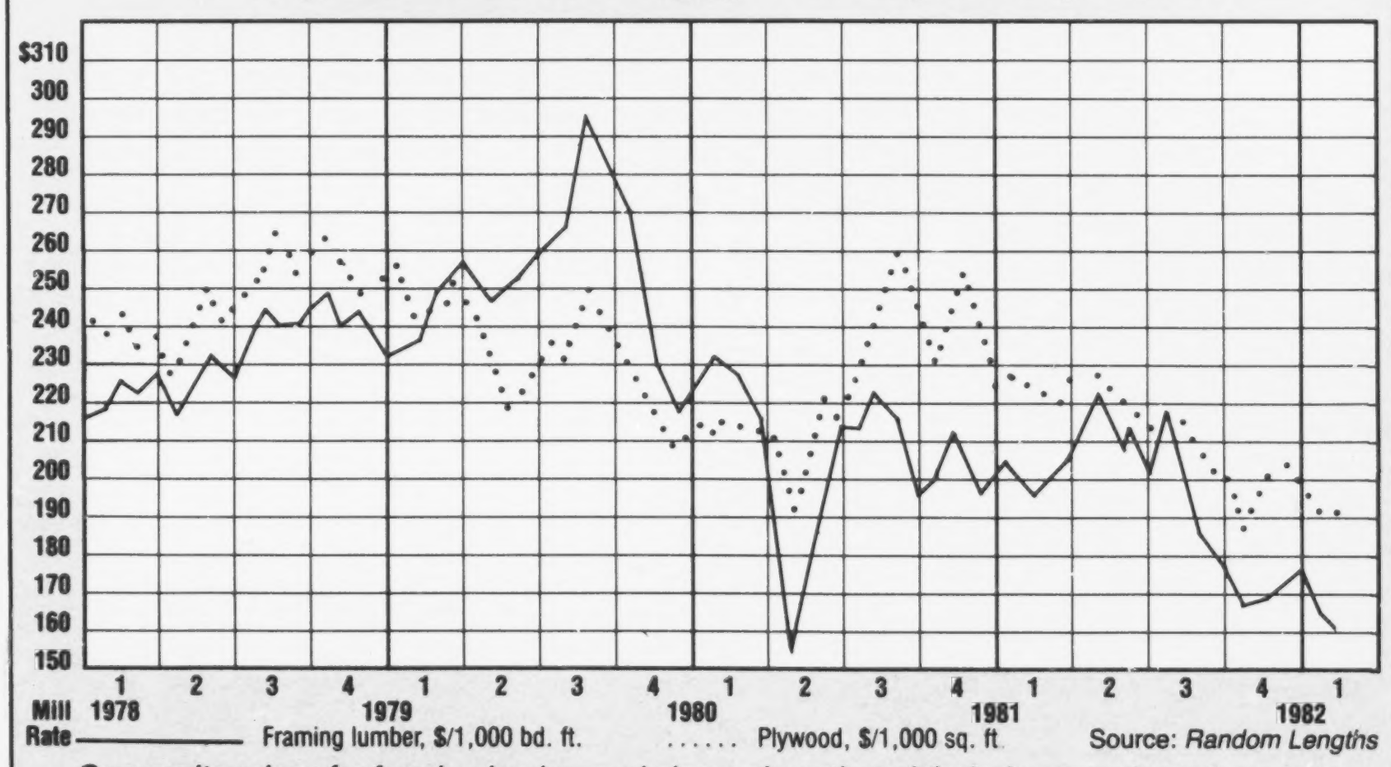
Transportation was also a major topic of conversation among the lumbermen. The selling price of lumber is often more a function of transportation costs than of manufacturing costs.

An Idaho mill, for example, offered an East Coast wholesaler stud grade green fir and larch studs at $95 per thousand board feet. The wholesaler, however, paid a British Columbian manufacturer $130 per thousand board feet for the same grade studs, since delivery costs were that much cheaper. Good advice for the retailer is to buy all lumber on a delivered basis.

Overall, the spirit of the lumbermen at the WWPA meeting was positive. Manufacturers and wholesalers are looking for constructive ways to make their industry healthy again.

Hawk Furman, vice president of sales, Furman Lumber, Boston

Composite lumber/plywood price profile



Source: *Random Lengths*

Composite prices for framing lumber and plywood continued their downward trend, as orders were soft and mills continue to curtail production.

Fewer sources may lead to price firmness, however. Composite prices for framing lumber dropped to $162 per thousand board feet in February, compared with $165 a month earlier.

The change in composite plywood prices was even less: $191 per thousand board feet in February; $192 in January.

Prices are based on Random Lengths *weighted measure of seven key plywood items and nine key framing items.*

LUMBER REPORT

19% of wood workers off the job

PORTLAND, Ore.—Weekly employment figures for the western wood products industry at the end of last month showed that 19,300, or 19%, of the industry's 102,000 sawmill workers were off the job.

According to statistics from the Western Wood Products Assn., 42,200, or 41%, of the workers were on short or curtailed shifts.

Of the 756 sawmills in the West, 176 were closed and 277 were operating at reduced levels, compared to 163 and 322 for the previous week, the association reported.

FUTURES

Two weeks ended March 19, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	139.50	133.00	139.00	136.00	1	247.50	130.60
May	149.00	137.50	148.10	140.80	3,419	220.30	137.50
July	158.80	147.60	157.60	150.50	1,590	224.50	147.60
Sept.	166.60	155.30	165.80	159.30	837	229.50	155.30
Nov.	167.90	157.10	166.80	160.00	719	224.50	157.10
Jan. '83	175.00	165.00	175.00	166.50	441	205.50	165.00
March	183.30	171.50	183.00	173.60	45	209.80	171.50

Total Contract Vol. (Through 3/18): 18,866 — **Previous Two Weeks: 26,139**
Total Open Interest (As of 3/18): 7,109 — **Previous Week: 7,930**
Cash Price: $133.28 — **Previous Week: $128.38** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	171.70	163.00	167.30	163.80	23	252.00	163.00
May	175.30	166.20	170.90	167.80	2,086	241.00	166.20
July	180.60	171.60	176.00	172.70	696	219.00	171.60
Sept.	185.80	176.80	181.10	177.40	521	224.50	176.80
Nov.	189.90	181.20	185.50	182.00	241	226.50	181.20
Jan. '83	194.20	185.80	189.80	186.50	114	215.00	185.80

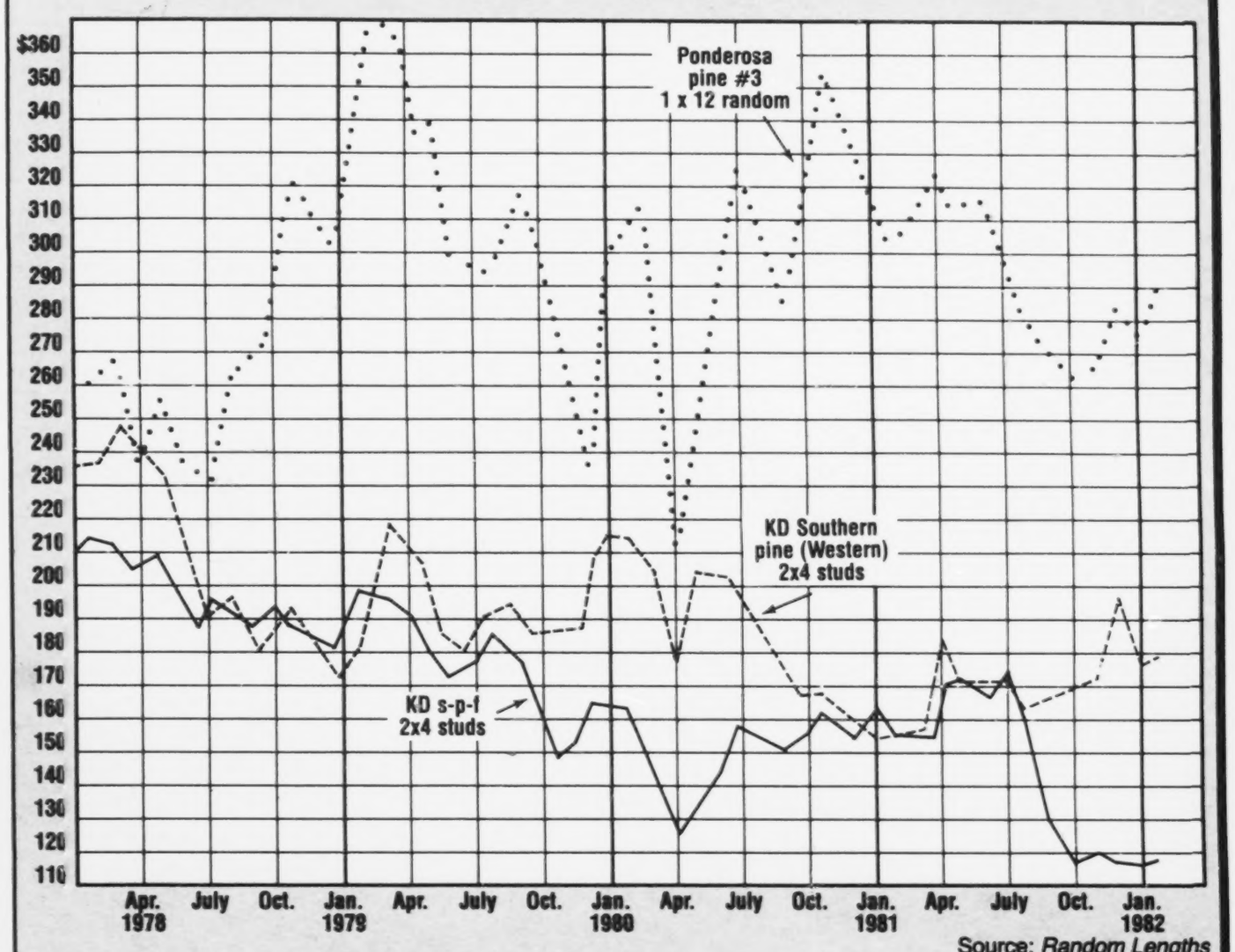
Total Contract Vol. (Through 3/19): 6,763 — **Previous Two Weeks: 7,339**
Total Open Interest (As of 3/18): 3,681 — **Previous Week: 3,911**
Cash Price: $171.50 — **Previous Week: $173.46** — **Year Ago: $200.90**

COMMODITY RESEARCH BUREAU INDEX:	This Week 250.5	Previous Week 249.2	Year Ago 294.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 18.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Monthly average prices for selected studs and boards were up for February compared with January.

While Ponderosa pine 1x12 #3 registered the greatest price hike averaging $290 per thousand board feet in February compared to $276 in January, those prices may move downward as demand slackens.

Southern pine 2x4's averaged $176 in February, with demand high from East Texas and Louisiana markets. The January average was $174.

Temporary lower rail rates to the South West boosted s-p-f 2x4 prices at the end of February so that the month's average was $119 per thousand board feet, a dollar more than the January average.

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FINANCIAL NEWS

Mfrs.' capital spending fell 12.3% in fourth qtr.

NEW YORK—Capital appropriations by the nation's 1,000 largest manufacturers, excluding the petroleum industry, fell to $16.1 billion in the final quarter of 1981, down 12.3% from the third quarter, according to a Conference Board report.

Although appropriations were down, actual spending rose 1.2% in the quarter. Appropriations for all manufacturers are expected to climb by 10% in 1982, and spending to rise by 9%, the board predicts.

"In view of the current economic weakness and generally low rates of capacity utilization, the expected 1982 increase of 15% in nonpetroleum appropriations is, in fact, quite strong," observed Lora S. Collins, a Conference Board analyst.

For 1981, manufacturers' appropriations totaled $106.4 billion, up 1.7% from 1980. Actual spending reached $102.2 billion, up 15.8% from 1980.

Rickel '81 sales up 14% to $187M

WOODBRIDGE, N.J.—Rickel Home Centers' sales rose 14% and operating earnings showed "a significant improvement" from the previous fiscal year, according to officials at the 31-store chain's parent, Supermarkets General.

For the year ended Jan. 30, Rickel's sales reached nearly $187 million as fourth-quarter volume hovered near the $44 million mark, officials said. The chain's actual operating profits, which totaled $4.2 million in fiscal 1980, were not disclosed at presstime.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hines Lumber	12/31-4th qtr.	$ 59,615	$ 69,342	−14	−$ 1,870	$ 1,657	—
	12/31-Year	264,946	270,574	− 2	− 5,836	− 1,714	—
Payless Cashways	2/27-1st qtr.	90,827	84,474	8	1,377	1,948	−29
Supermarkets General	1/30-4th qtr.	800,758	723,406	11	14,449	9,323	55
	1/30-Year	2,999,379	2,628,851	14	30,256	26,067	16

*$ in thousands

Edward Hines posts '81 loss of $5.8M

CHICAGO—Continuing growth in its DIY business could not prevent a dismal fiscal 1981 at Edward Hines Lumber.

Company president Edward Hines reported a pretax loss of $10,856,000 and a net loss of $5,836,000 on sales of $264,946,000, off 2% from 1980 and 24% from 1979.

Fourth-quarter figures added to the gloom as the company reported a net loss of $1,870,000 on sales of $59,615,000, off 14% from the same quarter in 1980.

Officials pinned the results on lower-selling prices for lumber products and closure of their largest sawmill in Hines, Ore., for most of the year.

"Margins eroded in all business areas, particularly in Southern manufacturing operations, and fixed costs were spread over lower-dollar sales," Hines told shareholders in reporting 1981 financial results.

Unlike some of their other operations, however, Hines Lumber officials are looking favorably on their 25 home centers in the Chicago area.

"At this time, the company's 25 retail outlets are being studied," Hines said. "We believe them to have substantial potential on the basis of our widely respected name in the Greater Chicago Area, and continued growth is expected in the consumer do-it-yourself market."

He added, however, that the company is permanently closing its manufacturing operations in the South and will sell mills at Hope and Nashville, Ark., and Hazlehurst, Miss., as soon as practical.

STOCK PRICES

Companies with predominant home center sales

	As of 3/10	As of 3/17
Lowe's (NYSE)	14⅛	14
Payless Cashways (NYSE) [Furrow]	16⅜	15½
Scotty's (NYSE)	16½	15½

Over-the-counter stocks

	As of 3/17 Bid	Asked
Erb Lumber	7¾	9
Hechinger	16	16⅜
The Home Depot	12¾	13½
Pay 'N Pak	14½	14⅝
Wolohan Lumber	3¼	3½

Companies with significant home center sales

	As of 3/10	As of 3/17
Action Industries (AMEX) [Action Home Centers]	2⅜	2⅜
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	9⅜	9¼
Boise Cascade (NYSE)	28⅝	28⅛
Cyclops (NYSE) [Busy Beaver]	23	21¾
Diamond Int'l (NYSE)	40	37¾
Edison Brothers (NYSE) [Handyman, Homer's]	24	23⅞
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	13¼	12⅞
Forest City (AMEX)	11¾	11¼
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	35½	35⅝
Interco (NYSE) [Central Hardware]	43⅜	43⅛
Peavey (NYSE) [Fish, Peavey/Thunderbird]	17¼	17¼
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	12⅞	12¼
Supermarkets General (NYSE) [Rickel]	18⅝	19
Union Camp (NYSE) [Homecrafters]	46⅜	46½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	6½	4¾

Over-the-counter stocks

	As of 3/17 Bid	Asked
Dart Drug	12⅜	12⅝
Hines Lumber	17½	19
Pay 'n Save [Ernst, Von Tobel's, Yard Birds]	17	17⅛

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Kitchen photo feature . . . p. 15

National Home Center News®

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DIY chains have edge among '81 winners . . .

NATIONAL REPORT—Although 1981 was generally better than 1980, it brought a mixed bag of results for the home center industry's publicly held companies.

A review of recently released annual reports and year-end figures clearly showed chains like Hechinger, The Home Depot, Payless Cashways and Pay 'N Pak, which cater to the DIYer, experiencing moderate to healthy growth. Some chains, such as Handyman, reported sales increases, but declining margins, in attempts to maintain market share in the sluggish economy.

Most showed a willingness to carry inventory levels in line with the growth of sales, based on comparisons of 1981 and 1980 year-end inventory figures.

In contrast, those chains with significant business with contractors saw operating results decrease from a year ago, or at best, increase only slightly. Among these companies were Erb Lumber, Lowe's and Wolohan Lumber. Not surprisingly, companies in this category exhibited a penchant for reducing inventory levels by year-end, improving the complexion of their balance sheets. A sample of the results shows:

Hechinger

- Net earnings rose 26% to $8.6 million. Sales passed the $200 million mark for the first time, rising 24% to $210.6 million from the fiscal year ended January 1981.
- Comparable store sales were up 12% from the previous year.
- While Hechinger opened only two new units during the year to lift its count to 31, its year-end inventory level has risen nearly 25% from the previous year to $32.1 million.

The Home Depot

- The opening of four Florida stores in late summer and fall, raising its store count to eight, helped net earnings grow 69% to $1.4 million. Sales increased 131% to $51.5 million compared to the fiscal year ended January 1981.
- Year-end inventory levels reached $11,263,000 compared to only $2,881,000 at the end of fiscal 1981.

Payless Cashways

- Net earnings hit $16.6 million, compared to $11 million in fiscal 1980 and $14.5 million in fiscal 1979.

(Continued on page 34)

Hechinger

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
2.6	1st	$33.2
3.6	2nd	37.2
3.9	3rd	38.8
4.7	4th	37.7
	1980	
3.0	1st	40.8
3.9	2nd	44.8
3.9	3rd	43.3
5.1	4th	41.6
	1981	
3.4	1st	51.9
3.8	2nd	57.7
4.0	3rd	54.4
5.2	4th	46.6

Fiscal year ends Jan. 31

. . . but lower inflation rate may create dilemma in '82

NEW YORK—Disinflation is rapidly becoming the new buzz word in business circles.

Whether this easing of inflation will help improve conditions for home center retailers in the near future, however, is still debatable.

"Retailers will have to be patient, but if inflation continues to stabilize, you're going to see a whole lot more disposable dollars in circulation," said Nick Gallopo, a partner for the accounting firm, Arthur Andersen & Co. Gallopo, who specializes in retail accounting, believes that lowered inflation rates could have an effect as early as the second half of 1982 in stimulating the economy toward recovery.

"Disinflation has got to be beneficial as customers realize they have greater purchasing power," echoed Rod Marques, vice president-finance for Forest City, the $120 million 21-store chain based in Cleveland.

Others aren't holding their breath.

(Continued on page 34)

Payless Cashway

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
2.7	1st	$ 50.6
4.9	2nd	82.0
4.7	3rd	92.8
5.2	4th	90.8
	1980	
1.7	1st	64.2
2.8	2nd	96.9
2.7	3rd	107.9
3.7	4th	114.1
	1981	
2.3	1st	84.5
3.7	2nd	128.0
3.5	3rd	137.2
4.0	4th	129.5

Fiscal year ends Nov. 30

Wickes' Sigoloff picks new team

By Brad Altman
West Coast editor

SAN DIEGO—Sanford Sigoloff, the corporate rescue artist recruited to take command at Wickes Cos. late last month, is moving fast to turn the beleaguered $4 billion retailer around.

Since Sigoloff became chairman, president and ceo of Wickes March 29, following the sudden early retirement of company patriarch E. L. McNeely and the resignations of five top-ranking executives (*NHCN*, April 12), five other board members have resigned, including T. W. Cline, a Wickes senior vp.

The changes were among a number of major developments that included:

- Assembly of a hand-picked management team, with the appointment and election of several new directors and officers from outside Wickes. Among them is Jeffrey Chanin, a bankruptcy lawyer who was instrumental in helping Sigoloff downsize Daylin, the ailing Los Angeles retailer, that Sigoloff brought back from bankruptcy.
- Installation of a 40-member "crisis management" team devoted to "conducting a thorough and complete audit of the company's operations, finances and personnel," according to a company spokesman.
- Completion of a transaction in which Wickes sold 75% of its MacGregor Golf subsidiary to a

(Continued on page 35)

NEWSBREAKS

STOCK SPLIT. The Home Depot has declared its second stock dividend of the year. The 5 for 4 stock split, contingent on shareholder approval, will increase authorized shares from four million to 10 million and is payable April 30.

SHER LEAVES LINDSLEY. Pat Sher has resigned as head of Lindsley Home Centers, the 40-store Evans' chain. He has been replaced by Hank Kirschner, former gmm for Evans' Grossman's.

PEAVEY MOVES HEADQUARTERS. Peavey, the grain merchandising and retail company, has moved the headquarters of its building supply division from Minneapolis to Watertown, S.D. According to Jerome Trebil, retail group vice president, the move was made to bring executives closer to the 30 units and two warehouses operating in the upper Midwest.

Chronic housing slump spurs lobbying fervor

250 lumbermen storm Capitol Hill

WASHINGTON—The Senator sat with legs crossed, reading glasses over his nose, studying a briefing card supplied by the National Lumber and Building Material Dealers Assn.

Doug Ashy, a short, solid man of great affability, stood opposite the Senator, leaning against the backrest of a chair. Ashy, a Louisiana lumber dealer, is president of the NLBMDA.

"Every voter in Louisiana is here," said Ashy, with a smile, noting the 16 men and women filling the office of Sen. Bennett Johnston Jr. (D-La.).

Ashy politely turned to the subject of his concern: the need for legislation that would help the housing industry. He stressed his and the NLBMDA's support for the Lugar bill.

Johnston remained cordially noncommittal.

"What we have to do is get this high deficit down," the Senator said. "All the

(Continued on page 4)

Sen. Bennett Johnston Jr. (l.) reviews a briefing card listing the legislative positions of the NLBMDA. Meeting with the senator are (from center) association president Doug Ashy, his wife Claire and Dennis Stine, head of the group's Louisiana chapter.

Lack of consensus hampers efforts

By Kenneth Schept
NHCN senior editor

NEW YORK—While everyone in the housing industry agrees this is the worst of times, there is little agreement about which path leads to recovery.

NHCN analysis

Housing starts were a meager 1.1 million in 1981, the worst performance since World War II. More than 25% of timber workers have been laid off and prices have hit bottom. Existing homes are appreciating slowly and resale is sluggish.

Building material dealers, meanwhile, claim related business is off significantly. And many savings and loans are in jeopardy.

Yet groups representing forest products, builders, realtors, retailers and lenders disagree about the best method for stimulating housing and therefore

(Continued on page 35)